

HISTORIC SCOTLAND BOARD MEETING

Minutes of Meeting

Thursday 26 February 2009, 09:00-13.00

Millennium Hotel, Glasgow

Those Present:

John Graham	Chief Executive
Lucy Blackburn	Director of Policy
Peter Bromley	Director of PiC
Pat Connor	Director of Media and Communications
Malcolm Cooper	Chief Inspector
Marc Ellington	Non-Executive Director
John Lennon	Non-Executive Director
David McGibbon	Non-Executive Director
David Mitchell	Director of TCG
Brian O'Neil	Director of HR
Laura Petrie	Director of Finance
Ann Marie Stannard	Non-Executive Director
Bob Stewart	Non-Executive Director
Raymond Young	Non-Executive Director

In Attendance:

Claire Dobbie	HSB Secretary	
Kari Coghill	Head of Development, PiC	(items 4, 9 & 10)
Chris Watkins	Head of Major Projects, PiC	(items 4, 9 & 10)

1. Apologies

1.1 There were no apologies.

2. Minutes of Previous Meeting

2.1 There were no comments on the previous minutes and it was agreed that all current actions points were in hand.

3. Matters Arising

3.1 John Graham (JG) welcomed the new Non-Executive Director (NED), Bob Stewart.

3.2 JG thanked the NEDs for their comments on the 2009-10 budget options circulated to them at the end of last month. There had not yet been a discussion with the new Minister on next year's budget.

3.2 It was confirmed that Board members had received a copy of report on the Survey of Local Authorities, which considered the capacity and resources of local authorities in the historic environment sector. **Action: HSB Secretary to send a copy of the report to Bob Stewart for reference.**

3.3 It was confirmed that the Board would have its August meeting at Stirling Castle.

3.4 It was noted the report on the UNESCO and ICOMOS mission had been received and that a response from the Agency would be made through DCMS to UNESCO soon.

4. Update on Budget for 2009/10

4.1 Peter Bromley (PB) presented the Board with a proposal for the central income forecast in order to initiate a discussion on the 2009-10 Agency budget, and explained the assumptions behind the proposal.

4.2 Kari Coghill explained that forecasting for next year was very difficult in the current climate. The prospects for each PiC business area had been examined in depth, and there had been informal discussion with trade contacts and other operators. Scenarios based on a 5% and a 10% decline in visitor numbers had been considered. The latter seemed more realistic at this stage. A central forecast for income of £22.5 million for 2009-10 was proposed.

4.3 The proposals and their implications were discussed at length. The Board agreed to support the central forecast, based on an assumption of a 10% fall in total visitor numbers, which implied a 3% drop in total PiC income. It recognised that the Minister might want to set a more stretching target.

4.4 As a follow-on discussion, the NEDs asked for more information on the proposed reductions in the Agency's expenditure in the coming year. Each Director therefore explained the proposed reductions and the likely impact in their business areas. Malcolm Cooper expressed particular concern about the potential impact of the proposed reduction in the Inspectorate's consultancy budget.

4.5 The NEDs thought it was difficult to reconcile the proposed reductions with the aspirations set out by the Minister in the discussion with the Minister the day before. JG reminded the Board that the room for manoeuvre in relation to 2009-10 was very limited because of existing commitments. The planned discussion with the Minister should help to clarify his priorities.

4.6 Action: JG to seek clarification on the current 'essential' areas of Agency work in his discussions with the Minister, and report back to the next meeting.

9. Properties in Care Capital Programme [taken out of order]

9.1 PB introduced the paper, which was designed to help the Board understand how the PIC Capital Programme was managed, the pressures facing the programme and the options for future priorities.

9.2 It was explained that as most of the programme was devoted to heritage assets most of the expenditure was classified as resource, rather than capital, for SG budgeting purposes. The programme for the next two years was dominated by the Stirling project, and had in recent years been dominated by large projects at Stanley and Edinburgh. Important projects at other sites had in most cases had to be deferred, and now looked unaffordable over the next two years.

9.3 It was explained that the SG no longer generally allowed end-year flexibility for spend on HS capital projects. Not being able to run the Agency's capital projects over financial year ends was a severe constraint to PIC's ability to manage projects within the annual budget across the estate effectively.

9.4 The Board welcomed the update and had no comments at this stage on the planned programme. It was agreed that the Board should be updated once the budgets for 2009-10 and 2010-11 were clearer. **Action: PB to provide an update as requested**

10. Properties in Care: Forward Strategy [taken out of order]

10.1 It was explained that this paper arose from a SMT discussion on 2010-11 budget and the need for a strategic context. PB stated that PiC had statutory and policy obligations to its staff and for the 345 sites in its care. The overall aim of the next five-year strategy was therefore to continue to meet such obligations whilst re-focusing the business, concentrating on the core activity, and becoming more efficient in managing the whole estate.

10.2 The Board had an in-depth discussion on the key themes relating to this paper, and the main points noted were as follows:

- The drop in expected levels of income meant that costs would have to be rigorously examined across the PIC business.
- A review of PIC Professional Services was in progress and reports on the first two stages had recently been put to the SMT.
- David McGibbon (DMG) underlined the importance of maximising opportunities for raising revenue.
- HR was currently reviewing the overtime system and seeking to modernise it.
- Raymond Young (RY) saw opportunities to use PIC sites to communicate the wider work of the Agency.

10.3 The Board broadly supported the proposals, but **(Action) it was agreed that the SMT should consider further the scope for communicating wider Agency messages through PiC properties.**

10.5 JG added that the Board should address each of the other main Agency business areas, and their strategic visions, and then have an overview discussion before decisions were taken on the Agency's budget for 2010-11. **Action: HSB Secretary to add these items to the forward look Board agenda.**

10.6 It was also agreed that an extra Board meeting to work through the action plan requested by the Minister should be set up before the plan was presented to him.

Action: HSB Secretary to liaise with Private Office and Board to make appropriate arrangements for the aforementioned meetings.

5. Finance Report

5.1 It was reported that current forecasts were predicting a cash overspend of £0.9 million – compared to £0.8 million in December 2008. The income forecast had improved against last month by £0.125 million and was now £23.694 million including income efficiencies. This is the first improvement against budget this financial year. However, LAP stated it was difficult to tell whether this would be maintained for the rest of the year, or indeed promised an improved outlook for 2009-10.

5.2 Significant slippage on the Stirling Castle project of £0.9 million was noted. However, pressures within the grants and other group programmes meant that this had had little impact on the overall forecast.

5.3. The Board was informed that the year to date spend on the grants programme was just over £11 million against its annual budget of £12.5 million - this included additional

funding of £0.3 million. LAP explained that as the total value of grant commitments is £14.4 million, and virtually all projects are on site, there was a risk of overspend in this area.

5.4 The Board noted the Agency's current financial position.

6. Audit Committee Report - oral update

6.1 DMG provided an update on the recent Audit Committee meeting, which was held on 18 February 2009. The key points noted were as follows:

- As part of the on-going review of the functions of Finance and HR, it was noted that the SMT had recently approved the service definitions as drafted by LAP and BON. Some staffing gaps had been filled and progress continued to be monitored.
- LAP had reported the Agency was forecasting a cash overspend of £800k, even though this spend would be mostly covered by the non-cash budget.
- The Committee felt that the Stirling Castle project should be included on the risk register and that PIC should report on its progress regularly.
- The Audit Plan 2008-09 was approved.
- The Committee noted HS would have to become compliant with IFRS in 2009-10 and that this would require the Agency to produce shadow IFRS accounts for 2008-09.
- Audit Scotland had noted that the 'best value system' was still being piloted and, as yet, the impact on the Agency was unclear. Audit Scotland agreed to keep HS informed on progress.
- The plans for internal audit between April 2009 and September 2010 were discussed.
- Internal audit was also asked to look at controls over staffing levels.
- It was noted the Agency had been chosen to participate in a SG data-handling review – progress was recognised and a further update would be provided in June.
- It was also agreed to provide the HS Board with an Audit Committee Annual Report in June.
- The role of the Audit Committee was discussed and revised terms of reference were agreed.
- **Action: Audit Committee terms of reference to be circulated to the Board and comments sought.**

7. Risk Quarter 3 Report: Oct – Dec

7.1 The high-level risk report was noted by the Board. It was explained that this paper was an update on the current position and a more detailed version would be presented at the April meeting. **Action: HSB Secretary to add risk register to the April Board agenda.**

7.2 It was agreed to seek comments on the risk report outwith the remit of the meeting. **Action: LAP to circulate risk report to Board seeking comment ASAP.**

8. KPTs Quarter 3 Report: Oct – Dec

8.1 This paper provided the Board with an update on the progress made on the Agency's Key Performance Targets (KPTs) for the third quarter of 2008-09. Approval of the proposed KPTs for 2009-10 was sought prior to submission and agreement by the Minister.

8.2 MC raised his concerns about the KPT no. 3 – "to reach a view on 90% of statutory planning consultations within 14 days". It was explained that currently this KPT was set at 70% and, therefore, there was a risk of the Inspectorate not being able to reach this stretching target.

8.3 The Board approved the 2009-10 KPTs, but noted that the Minister might have other issues to suggest and was aware that the list could change.

11. Grants: Getting to 2013

11.1 Due to time constraints on the day this item was not considered. It was agreed to carry it forward to the next meeting. **Action: HSB Secretary to add Grants paper to the April agenda.**

12. Inspectorate Casework Highlight Report

12.1 The Board was invited to note the report. The report demonstrated a slight slowing down of HSI Planning work, which was due to casework delegation to local authorities, but also that other areas such as SEAs were developing. It was emphasised that not all pieces of casework were equal in terms of resources.

12.2 The report was noted. It was agreed that the Inspectorate would keep the Board informed of the number and range of casework it undertook by submitting quarterly reports. **Action: HSI to submit quarterly casework reports to the Board – HSB Secretary to add this item to June agenda.**

13. HEACS Report on the Infrastructure for the Historic Environment – oral update

13.1 A brief background summary on the current position of HEACS and its work programme was provided to the Board. It noted that HEACS was due to be abolished, through the Public Services Reform Bill, in May 2010. HEACS had originally planned to wind up its activities in May 2009. What to do over the period from May 2009 to May 2010 was currently under consideration.

13.2 In response to the HEACS report on the infrastructure of the historic environment, LB commented that there were a few key areas to be addressed internally before advice went to the Minister and options were discussed.

Action: LB to circulate a note seeking comments on the HEACS report on infrastructure.

Action: HSB Secretariat to send a copy of the HEACS report to Bob Stewart.

13.4 The Board was finally asked to note that a copy of the HEACS report on economic impact was to be sent to HS next week (w/b 2 March). The report would be circulated for the Board's information.

Action: HSB Secretariat to circulate copy of the HEACS report on economic impact to Board.

14. Current Issues/AOB

14.1 Some Board members expressed a wish to gain more information on the current technical work being carried out by TCG, as well as the Castles group on which HSI were in the lead. It was agreed to add these items to a future meeting.

Action: HSB Secretary to add the above items to forward look Board agenda.

14.2 Due to time limitations on the day current issues were not discussed at length. It was agreed to address any issues outwith the meeting.

Action: Directors to provide any current issues and information to be circulated to the Board ASAP.